

Peagrowers Co-op Ltd.
“A marketing co-operative for farmers growing new crops”

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Co-operative Federation of Victoria Ltd

Donald is located on the Sunraysia Highway 280 kilometres from Melbourne. The town has a population of approx 1000

Primary Activity: "Purchase, processing, trading and marketing of members' grain, primarily pulses but includes all grains and also other agricultural products, seeds and services. Provision of seed and services to members and also the purchase of contract growing or consulting services from members."

Active membership requirements: "Carry out a commercial transaction involving the primary activities of PEACO by the end of any 3 year period."

Number of directors: 6 (6 male)

Number of independent directors: 2

Background to Formation (1983)

During the late 1970's and early 1980's a number of North Central Victorian farmers began experimenting in growing crops other than their traditional crops of wheat and barley. By 1981 crops such as canola and field peas were being grown in quantities that exceeded their existing domestic demand.

One or two neighbouring farmers, including Russell Hilton who was to become foundation chairman of the co-operative, began to discuss the problems they could foresee with selling crops that were in-effect, oversupplied. Eventually a public meeting was held at Walpeup, attended by about 50 Southern Mallee farmers, to discuss issues associated with the selling of pea crops. An unincorporated association was formed, the Victorian Field Pea Growers Association, and that association nominated a twelve person working party to investigate and report back on marketing options.

Late in 1981 it did report back with two major recommendations, based on sound research. Firstly, growers were advised to develop on-farm storage facilities to enable crops to be held ready for sale at a time of their choosing, and secondly, for the upcoming season's crop, they were advised that they should not sell field peas at less than \$140 a tonne. The opening price offered was \$120 a tonne, but the growers held firm and no sale was made below \$140. This small success was very encouraging to the growers. Meanwhile the working party continued to meet and it was able to organise seed peas for growers following the disastrous 1982 drought.

Formation of the Co-operative

The season following the drought saw a huge increase in field pea crops being grown. A public meeting at Longerenong, attended by fifty or so farmers, deliberated on the working party's recommendation "that a co-operative for pea growers be formed." The co-operative model was preferred because it was regarded then as being less complicated to set-up than alternative models, and the notion of all the members being "on an equal footing" was seen as being desirable.

Its (the co-operative) objectives were to continue to address the problems of potential market imbalance by marketing on behalf of the individual grower-members and to encourage and effect storage facilities for the crops. Members were required to purchase 100 shares of \$2 value, partly paid to 20 cents. Thus the 84 initial members contributed total capital of \$1680 and the Peagrowers Co-operative Ltd. was born.

Victorian Department of Agriculture personnel and a director of a nearby grain co-operative in Kerang were extremely helpful with advice and assistance to the formation process.

In the early years the co-operative ran a "pool" and marketed the pooled crop (See Appendix F). The foundation chairman also performed the management role and he was able to arrange a first advance payment to the pool contributors (co-operative members). The problem of over-supply to the market at harvest time was avoided, by arranging storage facilities and developing relationships with potential buyers.

The chairman recognised the importance of the co-operative always owning the "pooled" crops once it took responsibility for marketing them. He had seen earlier failures, and did not want the co-operative to find itself in the disastrous position of not being able to deliver once a sale had been negotiated. In its first year the co-operative had a turnover of \$300,000.

The post-formation story

The continued success of the co-operative has greatly assisted and encouraged individual farmers to diversify their crops. In its earlier years it played an important role in both creating and developing markets for the crops its members were growing. Whilst it no longer conducts "pools," its existence as a trader in the market place, continues to "keep the market honest."

By 1999, 16 years after its formation, the co-operative's membership had expanded from the original 84, to over 500 farmers across a radius of 130 kilometres surrounding Donald. Its annual turnover was approaching \$20,000,000, and virtually all its sales of member's crops were exports.

In 1985 the co-operative appointed a part-time manager, who later became full-time, and it has recognised the importance of its Board of Directors having complementary skills and knowledge, by appointing suitably skilled independent (non-member) directors. The independent directors spent 12 months attending board and other meetings in a "probationary" capacity.

Recently some structural tensions have developed around issues associated with financing the continued growth of the co-operative's business and rewarding those members who do business with the co-operative. Since 2001, the Board has been contemplating a range of capital-raising mechanisms, and considering issuing bonus shares to members based on the amount of business done with the co-operative. The bonus shares would be fully paid out of profits.

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